

FEB 15 2007



Historic City of
Laquerville
Settled 1858
"It's the People"

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS



HINTONBURDICK
HINTON BURDICK HALL & SPILKER PLLC
CPAs & ADVISORS

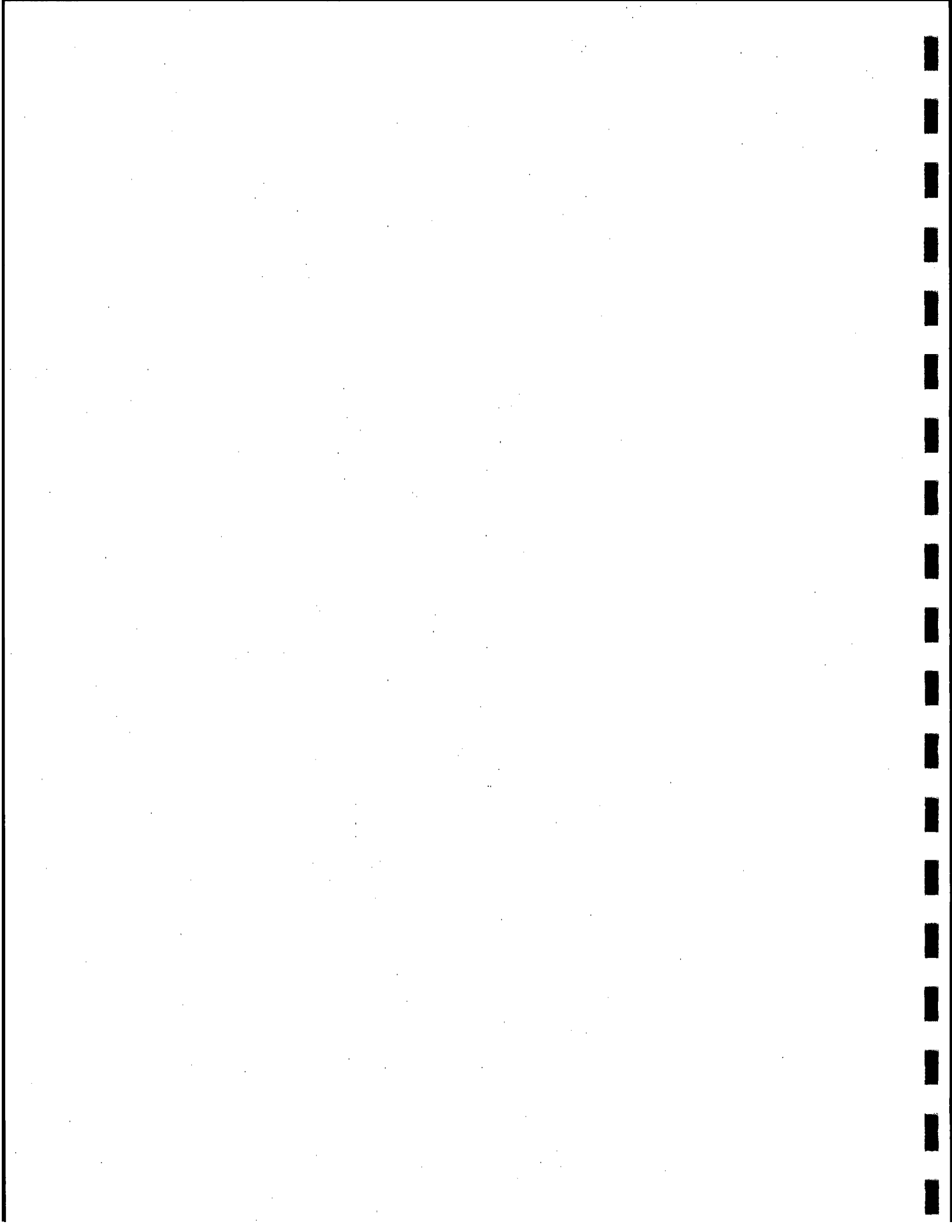


TABLE OF CONTENTS

Financial Section:

Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	16
Statement of Net Assets – Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19
Notes to the Financial Statements	20
Supplementary Information – Bond Disclosures	40
Supplementary Information – Impact Fees	41
Federal and State Reports:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters	43
Report on State Legal Compliance	45
Findings and Recommendations	47
Responses to Findings	

FINANCIAL SECTION



HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC
CPAs & ADVISORS

Independent Auditors' Report

The Honorable Mayor and
Members of the City Council
Toquerville, Utah

MEMBERS:
KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
BRENT R. HALL
KENNETH A. HINTON
MORRIS J. PEACOCK
PHILLIP S. PEINE
MICHAEL K. SPILKER
MARK E. TICHENOR

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Toquerville, Utah, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City of Toquerville's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Toquerville as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2006, on our consideration of the City of Toquerville's internal control structure over financial reporting and on our tests of its compliance with laws and regulations. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3-10, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Toquerville, Utah. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly we express no opinion on it.

Hinton Burdick Hall & Spilker PLLC

HINTON, BURDICK, HALL & SPILKER, PLLC
December 21, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Toquerville (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets exceed total liabilities (net assets) by \$4,223,956 at the close of the fiscal year.
- Total net assets increased by \$233,448.
- Total revenues from all sources were \$965,102 and the total cost of all City programs was \$731,654.
- Total revenue received in the General Fund was \$39,777 more than the final budget and expenditures were \$2,098 more than the final budget.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$55,399, which is an increase from fiscal year 2005's unreserved fund balance of \$34,477.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Assets and the Statement of Activities. These statements provide information about the activities of the City as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements. (3) Notes to the financial statements.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities (Government-wide)

A frequently asked question regarding the City's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. Net assets, the difference between assets and liabilities, are one way to measure the City's financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the City's property tax base or jurisdiction, the availability of capital projects, and condition of the City's assets to accurately assess the overall health of the City. The Statement of Net Assets and the Statement of Activities, present information about the following:

- Government activities – All of the City's basic services are considered to be governmental activities, including general government, public safety, highways and streets, parks and recreation, cemetery, community development, and capital outlay. Property taxes, sales taxes, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The City currently only has one proprietary activities fund. It is the water fund.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The City's two major kinds of funds, governmental and proprietary, use different accounting approaches as explained below.

- **Governmental funds** – Most of the City's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and footnote 2.
- **Proprietary funds** – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the City's financial position. The City's combined assets exceed liabilities by \$4,223,956 as of June 30, 2006 as shown on the following condensed statement of net assets. The City has chosen to account for its water fund in an enterprise fund, which is shown as a business-type activity.

	Governmental activities		Business-type activities	
	6/30/2006	6/30/2005	6/30/2006	6/30/2005
Current and other assets	\$ 905,616	\$ 336,970	\$ 2,118,133	\$ 2,329,973
Capital assets	745,160	671,831	2,208,420	2,328,994
Total assets	1,650,776	1,008,801	4,326,553	4,658,967
Long-term liabilities outstanding	366,000	-	1,329,667	1,647,667
Other liabilities	42,952	22,229	14,754	7,363
Total liabilities	408,952	22,229	1,344,421	1,655,030
Net assets:				
Invested in capital assets, net of related debt	379,160	671,831	878,753	681,327
Restricted	807,265	227,886	1,556,113	1,976,750
Unrestricted	55,399	86,855	547,266	345,860
Total net assets	\$ 1,241,824	\$ 986,572	\$ 2,982,132	\$ 3,003,937

Governmental Activities

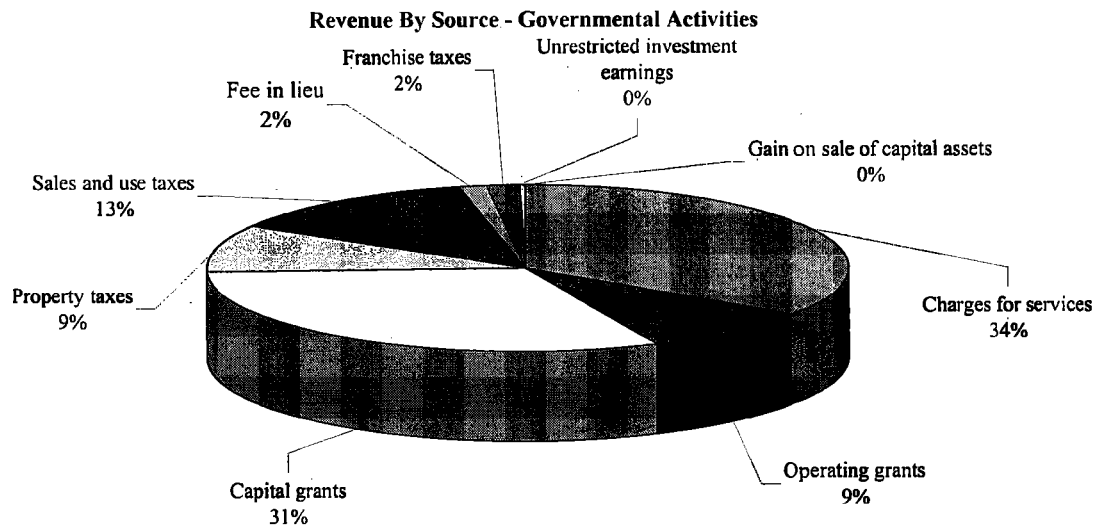
The cost of all Governmental activities this year was \$420,346. \$233,549 of this cost was paid for by those who directly benefited from the programs. The balance of the cost of governmental activities was subsidized by grants or contributions received from other governmental organizations and individuals for operations (\$58,367) and capital activities (\$210,530) or taxes and other general revenues (\$173,153). Total governmental program and general revenues totaled \$675,599.

The City's programs include: General Government, Public Safety, Highways and Streets, Culture and Recreation, and Community Development. Each program's revenues and expenses are presented below.

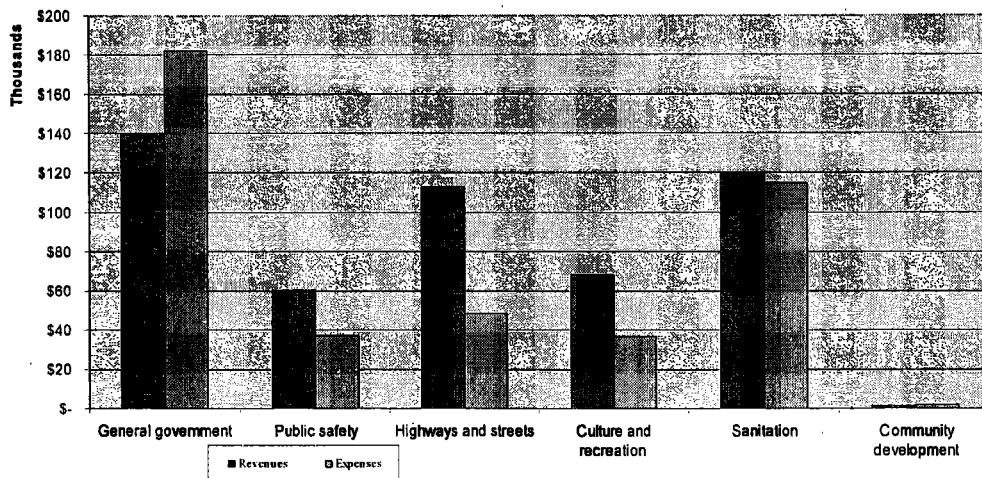
	Changes in Net Assets			
	Governmental activities		Business-type activities	
	6/30/2006	6/30/2005	6/30/2006	6/30/2005
Revenues:				
Program revenues:				
Charges for services	\$ 233,549	\$ 262,053	\$ 119,411	\$ 75,686
Operating grants and contributions	58,367	66,863	-	-
Capital grants and contributions	210,530	-	158,345	2,103,377
General revenues:				
Taxes	170,681	134,247	-	-
Other revenue/(expense)	2,472	26,857	11,747	12,184
Total revenues	<u>675,599</u>	<u>490,020</u>	<u>289,503</u>	<u>2,191,247</u>
Expenses:				
General government	181,966	105,008	-	-
Public safety	36,742	29,591	-	-
Highways and streets	48,223	16,967	-	-
Culture and recreation	36,537	49,274	-	-
Sanitation	114,840	101,449	-	-
Community development	2,038	11,828	-	-
Water distribution	-	-	311,308	94,359
Total expenses	<u>420,346</u>	<u>314,117</u>	<u>311,308</u>	<u>94,359</u>
Increase/(decrease) in net assets before transfers	255,253	175,903	(21,805)	2,096,888
Transfers	-	-	-	-
Net assets, beginning	986,571	784,697	3,003,937	907,049
Prior period adjustment	-	25,972	-	-
Net assets, ending	<u>\$ 1,241,824</u>	<u>\$ 986,572</u>	<u>\$ 2,982,132</u>	<u>\$ 3,003,937</u>

Total resources available during the year to finance governmental operations were \$1,662,170 consisting of Net assets at July 1, 2005 of \$986,571, program revenues of \$502,446 and general revenues of \$173,153. Total governmental activities expenses during the year were \$420,346; thus, governmental net assets were increased by \$255,253 to \$1,241,824.

The following graphs provide a breakdown of revenues by source for all government activities and compare program expenses to program revenues.



Expenses and Program Revenues - Governmental Activities (in Thousands)



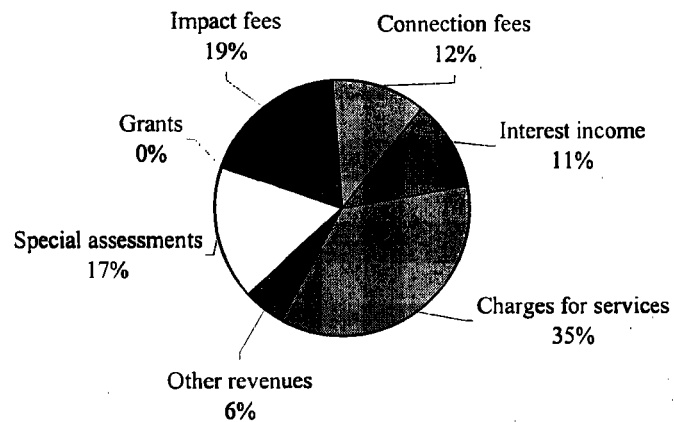
Business Type Activities

The following graphs present water fund revenues and operating expenses compared with prior year activity.

WATER FUND REVENUES BY SOURCE Year ended June 30, 2005 and 2006

	<u>6/30/2005</u>	<u>6/30/2006</u>
REVENUES:		
Charges for services	\$75,570	\$ 103,412
Other revenues	116	15,999
Special assessments	1,708,000	48,592
Grants	320,000	-
Impact fees	40,002	53,690
Connection fees	35,375	34,772
Interest income	12,184	33,038
Total Revenues	<u>\$2,191,247</u>	<u>\$ 289,503</u>

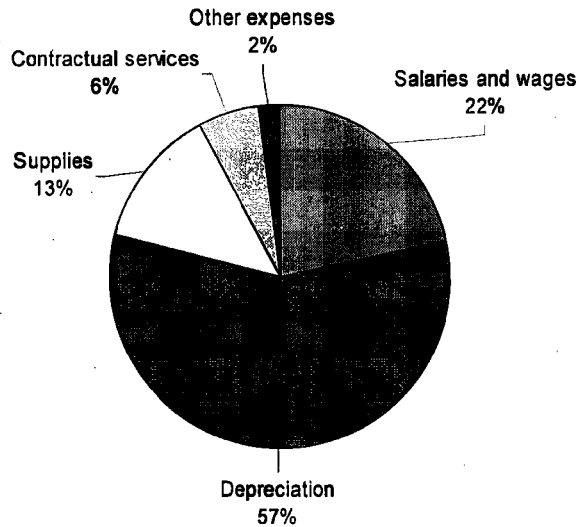
Revenues by Source - Current Year



WATER FUND OPERATING EXPENSES
Year ended June 30, 2005 and 2006

	<u>6/30/2005</u>	<u>6/30/2006</u>
OPERATING EXPENSES:		
Salaries and wages	\$ 32,038	\$ 47,000
Depreciation	42,054	124,569
Supplies	10,249	29,313
Contractual services	7,671	12,468
Other expenses	<u>1,461</u>	<u>4,426</u>
 Total Operating Expenses	 <u><u>\$ 93,473</u></u>	 <u><u>\$ 217,776</u></u>

Water Fund Operating Expenses - Current Year



Financial Analysis of the Government's Funds

As noted earlier, the City of Toquerville uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental funds – The focus of the City of Toquerville's governmental funds is to provide information on near-term inflows, outflows, and balances of spend-able resources. Such information is useful in assessing the City of Toquerville's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Toquerville's governmental funds reported a combined ending fund balance of \$862,664, an increase of \$547,923 in comparison with the prior year. Approximately six percent of this total amount (\$55,399) constitutes unreserved, undesignated fund balance, which is available for new spending at the government's discretion. The remainder of the fund balance is reserved because it has already been committed 1) to pay debt service, 2) to pay for capital improvements or 3) for a variety of other restricted purposes.

The general fund is the chief operating fund of the City of Toquerville. At the end of the current fiscal year, unreserved, undesignated fund balance in the general fund was \$55,399, while total fund balance reached \$104,709. As a measure of liquidity, it may be useful to compare both unreserved fund balances and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 14% of total general fund expenditures, while total fund balance represents 26% of the same amount.

During the year, the City of Toquerville's general fund balance increased by \$37,679. Key factors in this growth are as follows:

- Property tax revenue (including fee in lieu) was in excess of projections. Local population growth and economic development are contributing to this revenue growth.
- The City received \$20,000 in connection with a donation that relates to a prior year transaction. This amount is restricted for park use only.

The City hall capital project fund has a total fund balance of \$461,956, all of which is reserved for the City hall project. The net increase in the fund balance during the current year was \$409,578, which resulted from receiving all of the expected funding for the project during the current year, but only being partially completed at fiscal year end.

The impact fee capital projects fund has a total fund balance of \$264,173, all of which is reserved for street (\$196,925) and park (\$67,248) capital improvements. The net increase in the fund balance during the year was \$97,109, which resulted from impact fee revenues being greater than capital outlays.

General Fund Budgetary Highlights

The final appropriations for the General Fund at year-end were \$2,098 less than actual expenditures. Actual revenues were more than the final budget by \$39,777 mainly due to the receipt of more tax revenues, donations and charges for services than anticipated. Budget amendments and supplemental appropriations were made during the year to prevent budget overruns and to increase appropriations for unanticipated expenditures for various projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the City are those assets that are used in performance of City functions. Capital Assets include land, buildings and improvements, furniture and equipment, computers and software, and infrastructure. At the end of fiscal year 2006, net capital assets of the government activities totaled \$745,160 and the net capital assets in the business-type activities totaled \$2,208,420. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See notes to the financial statements.)

Debt

At year end, the City had \$366,000 in governmental debt and \$1,329,667 in proprietary debt. The debt is a liability of the government and amounts to \$1,474 per capita based upon the 2000 census population figures. During the current fiscal year, the City's total debt increased by \$48,000 net of additions of \$366,000. Sales tax revenue bonds were issued during the year in the amount of \$366,000. (See note 7 to the financial statements for detailed descriptions.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the City budget for fiscal year 2006/2007, the City Council and management estimated the budget for operating revenues and expenditures to be similar to 2005/2006, with the exception of the loan proceeds from the Community Impact Board that were received in fiscal year 2005/2006.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mike Vercimak, Treasurer, City of Toquerville at 212 North Toquer Blvd, Toquerville, UT 84774 or call 435-635-1094.

BASIC FINANCIAL STATEMENTS

CITY OF TOQUERVILLE

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 10,761	\$ 330,479	\$ 341,240
Receivables (net of allowance)	52,046	11,222	63,268
Temporarily restricted assets:			
Cash and cash equivalents	842,809	414,640	1,257,449
Special assessment receivable	-	1,332,294	1,332,294
Deferred bond issuance costs (net of accumulated amortization)	-	29,498	29,498
Capital assets (net of accumulated depreciation):			
Land	75,000	-	75,000
Buildings and system	31,712	-	31,712
Improvements other than buildings	366,877	-	366,877
Machinery and equipment	13,194	16,567	29,761
Water distribution system	-	2,186,563	2,186,563
Water rights	-	5,290	5,290
Infrastructure	46,904	-	46,904
Construction in progress	211,473	-	211,473
Total assets	<u>1,650,776</u>	<u>4,326,553</u>	<u>5,977,329</u>
Liabilities			
Accounts payable and other current liabilities	42,952	14,754	57,706
Noncurrent liabilities:			
Due within one year	-	111,000	111,000
Due in more than one year	366,000	1,218,667	1,584,667
Total liabilities	<u>408,952</u>	<u>1,344,421</u>	<u>1,753,373</u>
Net Assets			
Invested in capital assets, net of related debt	379,160	878,753	1,257,913
Restricted for:			
Highways and streets	221,571	-	221,571
Culture and recreation	87,248	-	87,248
Public safety	4,664	-	4,664
Capital improvements	461,956	265,143	727,099
Debt service	-	1,290,970	1,290,970
Perpetual care	31,826	-	31,826
Unrestricted	55,399	547,266	602,665
Total net assets	<u>\$ 1,241,824</u>	<u>\$ 2,982,132</u>	<u>\$ 4,223,956</u>

The accompanying notes are an integral part of the financial statements.

CITY OF TOQUERVILLE
Statement of Activities
For the Year Ended June 30, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities
Governmental activities:						
General government	\$ 181,966	\$ 38,716	\$ 120	\$ 101,100	\$ (42,030)	\$ -
Public safety	36,742	59,880	404	-	23,542	-
Highways and streets	48,223	-	35,345	77,793	64,915	-
Culture and recreation	36,537	14,097	22,498	31,637	31,695	-
Sanitation	114,840	119,241	-	-	4,401	-
Community development	2,038	1,615	-	-	(423)	-
Total governmental activities	420,346	233,549	58,367	210,530	82,100	-
Business-type activities:						
Water distribution	311,308	119,411	-	158,345	-	(33,552)
Total business-type activities	311,308	119,411	-	158,345	-	(33,552)
General revenues:						
Taxes:						
Property taxes					63,307	-
Sales and use taxes					86,397	-
Fee in lieu					10,260	-
Franchise taxes					10,717	-
Unrestricted investment earnings					2,472	11,747
Total general revenues & transfers					173,153	11,747
Change in net assets					255,253	(21,805)
Net assets - beginning					986,571	3,003,937
Net assets - ending					\$ 1,241,824	\$ 2,982,132
						\$ 4,223,956

The accompanying notes are an integral part of the financial statements.

CITY OF TOQUERVILLE
Balance Sheet
Governmental Funds
June 30, 2006

	General	Capital Project City Hall	Capital Projects Impact Fees	Permanent Perpetual Care	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 10,761	\$ -	\$ -	\$ -	\$ 10,761
Accounts Receivables, net of allowance for doubtful accounts of \$1,900	13,701	-	-	-	13,701
Due from other governments	38,345	-	-	-	38,345
Cash - restricted	84,854	461,956	264,173	31,826	842,809
Total assets	\$ 147,661	\$ 461,956	\$ 264,173	\$ 31,826	\$ 905,616
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 5,730	\$ -	\$ -	\$ -	\$ 5,730
Accrued liabilities	1,678	-	-	-	1,678
Cash bonds deposit	35,544	-	-	-	35,544
Total liabilities	42,952	-	-	-	42,952
Fund Balances					
Reserved for:					
Highways and streets	24,646	-	196,925	-	221,571
Culture and recreation	20,000	-	67,248	-	87,248
Public safety	4,664	-	-	-	4,664
City hall project	-	461,956	-	-	461,956
Perpetual care	-	-	-	31,826	31,826
Unreserved, reported in:					
General fund	55,399	-	-	-	55,399
Total fund balances	104,709	461,956	264,173	31,826	862,664
Total liabilities and fund balance	\$ 147,661	\$ 461,956	\$ 264,173	\$ 31,826	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	745,160
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(366,000)
Net assets of governmental activities	\$ 1,241,824

The accompanying notes are an integral part of the financial statements.

CITY OF TOQUERVILLE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	General	Capital Project City Hall	Capital Projects Impact Fees	Permanent Perpetual Care	Total Governmental Funds
Revenues					
Property taxes	\$ 60,219	\$ -	\$ -	\$ -	\$ 60,219
Sales and use taxes	86,397	-	-	-	86,397
Fee in lieu	10,260	-	-	-	10,260
Franchise taxes	10,717	-	-	-	10,717
Licenses and permits	64,120	-	-	-	64,120
Intergovernmental revenue	35,748	-	-	-	35,748
Interest income	2,472	8,209	7,165	992	18,838
Contributions and donations	21,626	101,100	-	-	122,726
Charges for services	27,653	-	-	2,565	30,218
Cemetery	5,285	-	-	-	5,285
Refuse charges	48,560	-	-	-	48,560
Sewer charges	70,681	-	-	-	70,681
Impact fees	-	-	102,266	-	102,266
Other revenues	9,564	-	-	-	9,564
Total revenues	453,302	109,309	109,431	3,557	675,599
Expenditures					
Current:					
General government	172,913	-	-	-	172,913
Public safety	36,610	-	-	-	36,610
Highways and streets	47,239	-	-	-	47,239
Culture and recreation	16,136	-	-	-	16,136
Cemetery	4,847	-	-	-	4,847
Sanitation	114,840	-	-	-	114,840
Economic development	2,038	-	-	-	2,038
Debt service:					
Bond issuance costs	-	13,056	-	-	13,056
Capital outlay	-	73,675	12,322	-	85,997
Total expenditures	394,623	86,731	12,322	-	493,676
Excess of revenues over (under) expenditures	58,679	22,578	97,109	3,557	181,923
Other financing sources (uses)					
Sales tax revenue bonds issued	-	366,000	-	-	366,000
Transfers in	-	21,000	-	-	21,000
Transfers out	(21,000)	-	-	-	(21,000)
Total other financing sources (uses)	(21,000)	387,000	-	-	366,000
Net change in fund balances	37,679	409,578	97,109	3,557	547,923
Fund balance - beginning of year	67,030	52,378	167,064	28,269	314,741
Fund balance - end of year	\$ 104,709	\$ 461,956	\$ 264,173	\$ 31,826	\$ 862,664

The accompanying notes are an integral part of the financial statements.

CITY OF TOQUERVILLE
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities
are different because:

Net change in fund balances - total governmental funds	\$ 547,923
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	73,330
Issuance of long-term debt provides current financial resources in the governmental funds but increases long-term liabilities in the statement of net assets.	<u>(366,000)</u>
Change in net assets of governmental activities	<u><u>\$ 255,253</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF TOQUERVILLE
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2006

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Property taxes	\$ 49,000	\$ 43,000	\$ 60,219	\$ 17,219
Sales and use taxes	40,000	95,000	86,397	(8,603)
Fee in lieu	4,000	500	10,260	9,760
Franchise taxes	12,000	11,700	10,717	(983)
Licenses and permits	65,000	66,400	64,120	(2,280)
Intergovernmental revenue	25,500	37,400	35,748	(1,652)
Interest income	-	13,600	2,472	(11,128)
Contributions and donations	-	-	21,626	21,626
Charges for services	5,000	27,200	27,653	453
Cemetery	10,400	3,000	5,285	2,285
Refuse charges	50,400	42,300	48,560	6,260
Sewer charges	65,640	62,000	70,681	8,681
Other revenues	77,000	11,425	9,564	(1,861)
Total revenues	403,940	413,525	453,302	39,777
Expenditures				
Current:				
General government	118,840	169,238	172,913	(3,675)
Public safety	41,600	42,150	36,610	5,540
Highways and streets	27,000	43,300	47,239	(3,939)
Culture and recreation	44,600	20,200	16,136	4,064
Cemetery	10,000	4,300	4,847	(547)
Sanitation	115,150	111,000	114,840	(3,840)
Economic development	10,000	2,337	2,038	299
Total expenditures	367,190	392,525	394,623	(2,098)
Excess of revenues over (under) expenditures	36,750	21,000	58,679	41,875
Other financing sources (uses)				
Transfers out	(33,495)	(21,000)	(21,000)	-
Total other financing sources (uses)	(33,495)	(21,000)	(21,000)	-
Net change in fund balance	3,255	-	37,679	37,679
Fund balance - beginning of year	67,030	67,030	67,030	-
Fund balance - end of year	\$ 70,285	\$ 67,030	\$ 104,709	\$ 37,679

The accompanying notes are an integral part of the financial statements.

CITY OF TOQUERVILLE
Statement of Net Assets
Proprietary Fund
June 30, 2006

	<u>Water Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 330,479
Receivables, net of allowance	11,222
Current portion of special assessments receivable	131,381
Total current assets	<u>473,082</u>
Noncurrent assets:	
Cash and cash equivalents - restricted	414,640
Special assessments receivable	1,200,913
Bond issuance costs, net of accumulated amortization	29,498
Capital assets:	
Machinery and equipment	29,389
Water distribution system	2,757,163
Water rights	5,290
Accumulated depreciation	(583,422)
Total noncurrent assets	<u>3,853,471</u>
Total assets	<u>4,326,553</u>
Liabilities	
Current liabilities:	
Special assessment accrued liabilities	1,963
Other accrued liabilities	863
Due to other governments	11,928
Current portion of noncurrent liabilities	111,000
Total current liabilities	<u>125,754</u>
Noncurrent liabilities:	
Bonds payable	1,329,667
Less current portion of noncurrent liabilities	(111,000)
Total noncurrent liabilities	<u>1,218,667</u>
Total liabilities	<u>1,344,421</u>
Net Assets	
Invested in capital assets, net of related debt	878,753
Restricted for:	
Debt service	1,290,970
Capital outlay	265,143
Unrestricted	547,266
Total net assets	<u>\$ 2,982,132</u>

The accompanying notes are an integral part of the financial statements.

CITY OF TOQUERVILLE
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended June 30, 2006

	<u>Water Fund</u>
Operating Revenues	
Charges for services	\$ 103,412
Other revenues	15,999
Total operating revenues	<u>119,411</u>
Operating Expenses	
Salaries and wages	43,970
Payroll taxes	3,030
Depreciation	124,569
Supplies	29,313
Contractual services	12,468
Other expenses	4,426
Total operating expenses	<u>217,776</u>
Operating income (loss)	<u>(98,365)</u>
Non-operating Revenues (Expenses)	
Special assessment	48,592
Impact fees	53,690
Connection fees	34,772
Interest income	33,038
Special assessment expenses	(13,654)
Interest expense	(79,878)
Total non-operating revenues (expenses)	<u>76,560</u>
Change in net assets	(21,805)
Net assets, beginning of the year	<u>3,003,937</u>
Net assets, end of the year	<u><u>\$ 2,982,132</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF TOQUERVILLE
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2006

	<u>Water Fund</u>
Cash Flows From Operating Activities:	
Cash received from customers, service fees	\$ 117,722
Cash paid to suppliers	(52,707)
Cash paid to employees	(47,000)
Cash flows from operating activities	<u>18,015</u>
Cash Flows From Capital and Related Financing Activities:	
Purchase of capital assets	(3,995)
Special assessment collections	318,505
Long-term debt paid	(318,000)
Impact fees	53,690
Connection fees	46,700
Special assessment expenses	(8,741)
Interest paid	(79,878)
Cash flows from capital and related financing activities	<u>8,281</u>
Cash Flows From Investing Activities:	
Interest on investments	<u>33,038</u>
Net Change in Cash and Cash Equivalents	59,334
Cash and cash equivalents, beginning of year	<u>685,785</u>
Cash and cash equivalents, end of year	<u><u>\$ 745,119</u></u>
Reconciliation of operating loss to cash flows from operating activities:	
Net operating income (loss)	\$ (98,365)
Adjustments to reconcile net income to cash flows from operating activities:	
Depreciation	124,569
Changes in operating assets and liabilities	
(Increase)/Decrease in receivables	(1,689)
Increase/(Decrease) in accounts payable	(6,500)
Net cash flows from operating activities	<u><u>\$ 18,015</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF TOQUERVILLE
Notes to the Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies

General

The City of Toquerville (City) is incorporated under the laws of the State of Utah. The City operates under a council form of government and provides the following services: general government, public safety, highways and streets, culture and recreation, sanitation, community development, and water distribution services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no separate component units combined to form the reporting entity.

The accompanying financial statements include all activities of the City.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

CITY OF TOQUERVILLE
Notes to the Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies, Continued

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than as recorded as an expenditure. Proceeds from long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of a related liability, rather than as expenditures in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF TOQUERVILLE
Notes to the Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies, Continued

Property taxes, sales taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government except for those required to be accounted for in another fund.

The **City Hall Capital Projects Fund** is used to account for various contributions and transfers that are restricted or designated for the city hall project.

The **Impact Fee Capital Projects Fund** is used to account for impact fee revenues and capital outlays relating to streets and parks.

The City reports the following nonmajor governmental fund:

The **Perpetual Care Permanent Fund** is used to account for the principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the community cemetery.

The City reports the following major proprietary fund:

The **Water Fund** accounts for the activities related to the City's water operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants as contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, all general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services.

CITY OF TOQUERVILLE
Notes to the Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies, Continued

Operating expenses for the proprietary fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Deposits and Investments

Cash includes cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition. The City's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, and other investments as allowed by the State of Utah's Money Management Act. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices.

Receivables

All trade accounts receivables in the general fund and the proprietary fund are shown net of an allowance for uncollectibles.

Taxes

Property taxes are collected by the Washington County Treasurer and remitted to the City in monthly installments. Taxes are levied each October on the taxable value listed as of the prior January 1 for all real property located in the City. Taxable values are established by the County Assessor at a percent of the fair market value on primary residential property and 100 percent of the fair market value on non-primary residential property. A revaluation of all property is required to be completed no less than every five years. Taxes are due and payable on November 1 and delinquent after November 30 of each year, at which time they become liens if not paid.

Inventories and prepaid items

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Also, the City's inventory of materials and supplies is deemed to be immaterial; thus, no provision for inventory has been made in these financial statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

CITY OF TOQUERVILLE
Notes to the Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies, Continued

Capital Assets

Fixed assets in the proprietary funds are carried at cost. Depreciation is computed using the straight-line method over the assets estimated useful lives.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to income as incurred. Significant renewals and betterments are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Capital assets in governmental funds, which include property, plant, equipment, and infrastructure, are reported in the government-wide financial statements. Capital assets are defined as assets with an individual cost of more than \$500 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

In accordance with GASB 34, the City has opted not to retroactively report infrastructure fixed assets. Infrastructure normally includes assets such as roads, curb and gutter, sidewalks, street lighting, storm drains and other improvements.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and system	15-40 years
Improvements other than buildings	10-30 years
Machinery and equipment	5-20 years
Water distribution system	7-40 years
Infrastructure	50 years

CITY OF TOQUERVILLE
Notes to the Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies, Continued

Compensated Absences

There are no accruals for compensated absences as they are deemed immaterial.

Long-term Obligations

In the government-wide financial statements and proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities or proprietary fund statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Use of Restricted Assets

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF TOQUERVILLE
Notes to the Financial Statements
June 30, 2006

NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and government-wide statement of net assets:

The governmental fund balance sheet includes reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. The differences primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheet.

When capital assets (property, plant & equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net asset includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$ 848,651
Accumulated depreciation	<u>(103,491)</u>
Net adjustment to increase fund balance - total governmental	
funds to arrive at net assets - governmental activities	<u><u>\$ 745,160</u></u>

Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$ 95,227
Depreciation expense	<u>(21,897)</u>
Net adjustment to increase net changes in fund balance	
total governmental funds to arrive at changes in net assets	
of governmental activities	<u><u>\$ 73,330</u></u>

CITY OF TOQUERVILLE
Notes to the Financial Statements
June 30, 2006

NOTE 3. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

Annual budgets are reported and adopted by the City Council on or before June 22 for the fiscal year commencing the following July 1 in accordance with State Law. The operating budget includes proposed expenditures and the proposed sources of financing for such expenditures. Prior to June 22, a public hearing is conducted to obtain taxpayer input. Budgets are adopted and control of budget appropriations is exercised, under State Law, at the department level. Budget amendments are required to increase expenditure budgets and are adopted, in a public hearing, before the end of the fiscal year.

The governmental fund type budgets are prepared using the modified accrual basis of accounting. Budgets for the proprietary fund are prepared using the accrual basis of accounting.

During the current fiscal year, budget amendments were made to prevent budget overruns and to increase appropriations for unanticipated expenditures.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

Taxes

Property taxes are collected by the Washington County Treasurer and remitted to the City in monthly installments. Taxes are levied each October on the taxable value listed as of the prior January 1 for all real property located in the City. Taxable values are established by the County Assessor at a percent of the fair market value on primary residential property and 100 percent of the fair market value on non-primary residential property. A revaluation of all property is required to be completed no less than every five years. Taxes are due and payable on November 1 and delinquent after November 30 of each year, at which time they become liens if not paid.

CITY OF TOQUERVILLE
Notes to the Financial Statements
June 30, 2006

NOTE 4. Deposits and Investments

Deposits and investments of the City at June 30, 2006 consist of the following:

Deposits:	
Cash in bank	\$ 805,827
Investments:	
State Treasurer's Investment Pool	<u>792,862</u>
Total Deposits and Investments	<u><u>\$ 1,598,689</u></u>

A reconciliation of cash and investments as shown on the statement of net assets is as follows:

Cash and cash equivalents	\$ 341,240
Restricted cash and cash equivalents	<u>1,257,449</u>
	<u><u>\$ 1,598,689</u></u>

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The City follows the requirements of the Utah Money Management Act (*Utah code*, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of City funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The City does not have a formal policy for custodial credit risk. As of June 30, 2006, \$730,818 of the City's bank balance of \$830,818 was exposed to custodial credit risk because it was uninsured and uncollateralized.

CITY OF TOQUERVILLE
Notes to the Financial Statements
June 30, 2006

NOTE 4. Deposits and Investments, Continued

Investments

The Money Management Act defines the types of securities authorized as appropriate investment for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's, bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

CITY OF TOQUERVILLE
Notes to the Financial Statements
June 30, 2006

NOTE 4. Deposits and Investments, Continued

As of June 30, 2006 the government had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	\$ 792,862	\$ 792,862	\$ -	\$ -	\$ -
Total Fair Value	<u>\$ 792,862</u>	<u>\$ 792,862</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing exposure to credit risk is to comply with the State's Money Management Act.

At June 30, 2006 the City had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
State of Utah Public Treasurer's Investment Fund	\$ 792,862	\$ -	\$ -	\$ -	\$ 792,862
Total Fair Value	<u>\$ 792,862</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 792,862</u>

CITY OF TOQUERVILLE
Notes to the Financial Statements
June 30, 2006

NOTE 5. Receivables

Accounts receivable in the general fund consists of sanitation billings receivable, which includes an allowance for uncollectible accounts of \$1,900. Accounts receivable in the proprietary fund consists of water billings receivable, which includes an allowance for uncollectible accounts of \$1,000.

Due from other governments in the general fund consists of \$30,323 due from Washington County, Utah for property taxes and \$8,022 due from the State of Utah for class B and C road money.

The City created the Anderson Junction Special Improvement District (SID) in 2001 to provide for the construction of water system improvements. During fiscal year 2005, assessments associated with the SID were levied upon the real property owners, within the City, who will benefit from the SID. The assessments will be collected by the City during the 11 years following the levy. The total amount levied was \$1,708,000. The current portion of \$131,381 consists of \$104,000 for the fiscal year 2007 levy and \$27,381 of uncollected fees and interest relating to fiscal year 2006, which is all expected to be collected.

CITY OF TOQUERVILLE
Notes to the Financial Statements
June 30, 2006

NOTE 6. Capital Assets

The following table summarizes the changes to capital assets for governmental activities during the year.

Governmental Activities:	Balance 6/30/2005	Additions	Deletions	Balance 6/30/2006
Capital assets, not being depreciated:				
Land	\$ 75,000	\$ -	\$ -	\$ 75,000
Construction in progress	137,799	73,674	-	211,473
Total capital assets, not being depreciated	212,799	73,674	-	286,473
Capital assets, being depreciated:				
Buildings & improvements	37,032	9,230	-	46,262
Improvements other than buildings	424,106	12,322	-	436,428
Furniture & equipment	30,288	-	-	30,288
Infrastructure	49,200	-	-	49,200
Total capital assets, being depreciated	540,626	21,552	-	562,178
Less accumulated depreciation for:				
Buildings & improvements	(12,722)	(1,828)		(14,550)
Improvements other than buildings	(54,783)	(14,769)	-	(69,552)
Furniture & equipment	(12,777)	(4,316)	-	(17,093)
Infrastructure	(1,312)	(984)	-	(2,296)
Total accumulated depreciation	(81,594)	(21,897)	-	(103,491)
Total capital assets, being depreciated, net	459,032	(345)	-	458,687
Governmental activities capital assets, net	<u>\$ 671,831</u>	<u>\$ 73,329</u>	<u>\$ -</u>	<u>\$ 745,160</u>

Depreciation expense was charged to the functions/programs of the City as follows:

Governmental Activities:	
General government	\$ 5,227
Highways and streets	984
Culture & recreation	15,554
Public safety	132
Total depreciation expense - governmental activities	<u>\$ 21,897</u>

CITY OF TOQUERVILLE
Notes to the Financial Statements
June 30, 2006

NOTE 6. Capital Assets, Continued

The following table summaries the changes to capital assets for business-type activities during the year.

Business-type Activities:	Balance 6/30/2005	Additions	Deletions	Balance 6/30/2006
Capital assets, not being depreciated:				
Water shares	\$ 5,290	\$ -	\$ -	\$ 5,290
Total capital assets, not being depreciated	5,290	-	-	5,290
Capital assets, being depreciated:				
Water distribution system	2,757,164	-	-	2,757,164
Equipment	25,394	3,995	-	29,389
Total capital assets, being depreciated	2,782,558	3,995	-	2,786,553
Less accumulated depreciation for:				
Water distribution system	(448,013)	(122,587)	-	(570,600)
Equipment	(10,841)	(1,982)	-	(12,823)
Total accumulated depreciation	(458,854)	(124,569)	-	(583,423)
Total capital assets, being depreciated, net	2,323,704	(120,574)	-	2,203,130
Business-type activities capital assets, net	\$ 2,328,994	\$ (120,574)	\$ -	\$ 2,208,420

CITY OF TOQUERVILLE
Notes to the Financial Statements
June 30, 2006

NOTE 7. Long-term Debt

The following is a summary of changes in long-term obligations for the year ended June 30, 2006:

	<u>Balance 6/30/2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2006</u>	<u>Current Portion</u>
Governmental Activities:					
Bonds payable:					
Sales tax revenue bonds	\$ -	\$ 366,000	\$ -	\$ 366,000	\$ -
Governmental activity long-term liabilities	-	366,000	-	366,000	-
Business-type activities:					
Bonds payable:					
Revenue bonds	57,667	-	(7,000)	50,667	7,000
Special assessment bonds	1,590,000	-	(311,000)	1,279,000	104,000
Total bonds payable	1,647,667	-	(318,000)	1,329,667	111,000
Business-type long-term liabilities	1,647,667	-	(318,000)	1,329,667	111,000
Total long-term liabilities	<u>\$ 1,647,667</u>	<u>\$ 366,000</u>	<u>\$ (318,000)</u>	<u>\$ 1,695,667</u>	<u>\$ 111,000</u>

The annual requirements to amortize bonds payable at June 30, 2006 are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	-	-	111,000	58,062
2008	15,000	9,150	116,000	53,312
2009	15,000	8,775	121,000	48,337
2010	15,000	8,400	127,000	43,137
2011	16,000	8,025	132,000	37,667
2012-2016	83,000	34,050	722,667	98,314
2017-2021	94,000	23,175	-	-
2022-2026	106,000	10,850	-	-
2027	22,000	550	-	-
Total	<u>\$ 366,000</u>	<u>\$ 102,975</u>	<u>\$ 1,329,667</u>	<u>\$ 338,829</u>

CITY OF TOQUERVILLE
Notes to the Financial Statements
June 30, 2006

NOTE 7. Long-term Debt, Continued

The following is a listing of long-term debt outstanding as of June 30, 2006:

Governmental activities

Bonds payable:

Sales Tax Revenue Bonds - Series 2006, due in annual principal and interest installments ranging from \$22,550 to \$24,150, starting in fiscal year 2008, bearing interest at 2.50%, maturing January 1, 2027.	<u>\$ 366,000</u>
--	-------------------

Business-type activities

Bonds payable:

Water Revenue Bonds - Series 1990, due in annual principal and interest installments ranging from \$6,733 to \$8,227 bearing interest at 1.00%, maturing January 1, 2013.	50,667
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Special Assessment Bonds - Series 2005, due in annual principal and interest installments ranging from \$179,550 to \$187,690, bearing interest at 4.50%, maturing June 1, 2016.	1,279,000
--	-----------

Total bonds payable, business-type activities	<u>1,329,667</u>
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Total long-term liabilities	1,695,667
Less current portion:	<u>(111,000)</u>
Net long-term liabilities	<u><u>\$ 1,584,667</u></u>

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

The Governmental Accounting Standards Board requires special assessment debt to be recorded on the books when establishment and maintenance of a reserve fund is required; however, the Assessment Bonds are not general obligations of the City, but are payable exclusively out of the Assessment Fund and the Debt Service Reserve Fund. The City shall not be held liable for the payment of the Assessment Bonds, except to the extent of the Assessment Fund and Debt Service Reserve Fund, but shall be held responsible for the lawful levy of all regular assessments, for the maintenance of the Debt Service Reserve Fund as provided by law, and for the faithful accounting, collection, settlement and payment of the assessments and the moneys in said Funds.

CITY OF TOQUERVILLE
Notes to the Financial Statements
June 30, 2006

NOTE 8. Interfund Receivables, Payables and Transfers

As of June 30, 2006, there were no interfund receivables or payables.

Interfund transfers for the fiscal year ended June 30, 2006 are as follows:

Transfer out:	Transfers In:					Total Transfers Out
	General Fund	Capital Project City Hall	Capital Projects Impact Fees	Permanent Perpetual Care	Water Fund	
General Fund	\$ -	\$ 21,000	\$ -	\$ -	\$ -	\$ 21,000
Capital Project City Hall	-	-	-	-	-	-
Capital Projects Impact Fees	-	-	-	-	-	-
Permanent Perpetual Care	-	-	-	-	-	-
Water Fund	-	-	-	-	-	-
Total transfers in	<u>\$ -</u>	<u>\$ 21,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 9. Equity Classifications

Equity is classified in the government-wide financial statements as net assets and is displayed in three components:

1. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets – all other net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted.”

CITY OF TOQUERVILLE
Notes to the Financial Statements
June 30, 2006

NOTE 9. Equity Classifications, Continued

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as reserved or unreserved. Proprietary fund equity is classified the same as in the government-wide statements.

At June 30, 2006, the City's reserved fund balances are as follows:

General Fund:

Class B & C roads	\$ 24,646
Parks	20,000
State liquor	4,664
Total	<u>\$ 49,310</u>

Capital Projects Funds:

Capital project fund city hall	<u>\$ 461,956</u>
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Capital projects fund impact fees:

Impact fees - streets	\$ 196,925
Impact fees - parks	67,248
Total	<u>\$ 264,173</u>

Permanent Fund:

Cemetery perpetual care	<u>\$ 31,826</u>
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Water Fund:

Debt reserves:

Water revenue bonds - series 1990:

Sinking fund	\$ 3,500
Reserve and repair	8,470

Special assessment bonds -series 2005:

Debt service reserve	137,527
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Special assessment receivable	<u>1,141,473</u>
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Total debt reserves	<u>1,290,970</u>
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Impact fees - water	<u>265,143</u>
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Total	<u>\$ 1,556,113</u>
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CITY OF TOQUERVILLE
Notes to the Financial Statements
June 30, 2006

NOTE 10. Retirement and Pension Plans

As of June 30, 2006, the City did not have any employees that participate in the Utah State-Wide Local Government Retirement System.

NOTE 11. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City's insurance protection is provided by the Scottsdale Indemnity Company and Old Republic Surety Company. The limit for basic coverage is for \$2,000,000 per occurrence on a claims made basis. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

NOTE 12. Sewer and Garbage Contracts

The City has sanitation contracts with the Ash Creek Special Service District and the Washington County Solid Waste Special Service District. The City is responsible for monthly billings, collections, and payments to the districts, which is accounted for in the General Fund.

NOTE 13. Contingencies

The City has been a defendant in a lawsuit that has been ongoing over the last few years. Although the lawsuit was recently settled in favor of the City, the claimant is expected to file an appeal. The ultimate outcome of this lawsuit is not presently determinable, but could prove to be unfavorable to the City. Should the City be unsuccessful as the defendant, the potential loss to the City would be between \$0 to \$40,000.

SUPPLEMENTARY INFORMATION

CITY OF TOQUERVILLE
Supplementary Information – Bond Disclosures
June 30, 2006

The Water System Revenue Bond Resolution sets forth certain covenants and restrictions. The City is in compliance with all covenants and restrictions for the Water Bond requirements. Adequate funds are available in the water fund for reserve requirements.

Additional disclosures requirement by the Resolution are:

- a. Number of connections with the boundaries of the City at June 30, 2006 441
- b. Total billings for the fiscal year ended June 30, 2006 \$ 103,431
- c. Average monthly billing per customer \$ 20.33
- d. Water rates for the fiscal year ended June 30, 2006 are as follows:

0 to 10,000 gallons	\$18.00 per month
10,001 to 30,000 gallons	\$ 0.50 per 1,000 gallons
30,001 to 50,000 gallons	\$ 0.75 per 1,000 gallons
50,001 gallons and over	\$ 1.00 per 1,000 gallons

- e. Insurance coverage in effect at June 30, 2006:

Type	Policy Number	Effective	Expires	Limits
Coverage with Scottsdale Indemnity Company:				
General liability aggregate	PEI0004718	07/01/05	07/01/06	\$ 2,000,000
Property	PEI0004718	07/01/05	07/01/06	300,247
Employment practices liability	PEI0004718	07/01/05	07/01/06	1,000,000
Public officials wrongful act	PEI0004718	07/01/05	07/01/06	1,000,000
Auto	WAI0001068	07/01/05	07/01/06	1,000,000

Coverage with Old Republic Surety Company:

Treasurer's bond	1171584	09/01/04	Continuous	47,000
Recorder's bond	1171584	09/01/04	Continuous	47,000

CITY OF TOQUERVILLE
Supplementary Information – Impact Fees
June 30, 2006

During the 2006 legislative session, the Utah Legislature modified *UC 10-5-29* and *UC17A-1-4* requiring governments who collect impact fees to provide additional reporting in their financial statements. The following schedule presents the required information:

<u>Fiscal Year</u>	<u>Revenues</u>	<u>Interest</u>	<u>Expenditures</u>	<u>Explanation of Expenditure</u>	<u>Accumulated Balance</u>
2004	\$ 56,950	\$ 4,357	\$ 63,933	Various projects	\$ 253,956
2005	117,543	2,780	3,641	Park improvements	370,637
2006	155,956	15,045	12,322	Park improvements	529,316

FEDERAL AND STATE REPORTS

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HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAs & ADVISORS

**Independent Auditors' Report on Internal Control
Over Financial Reporting and on
Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

MEMBERS:

KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
BRENT R. HALL
KENNETH A. HINTON
MORRIS J. PEACOCK
PHILLIP S. PEINE
MICHAEL K. SPILKER
MARK E. TICHENOR

The Honorable Mayor and
Members of the City Council
Toquerville, Utah

We have audited the basic financial statements of the City of Toquerville, Utah, as of and for the year ended June 30, 2006, and have issued our report thereon dated December 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Toquerville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance, which we have reported to management of the City of Toquerville in a separate letter dated December 21, 2006.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Toquerville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the City of Toquerville in the accompanying management letter dated December 21, 2006.

This report is intended for the information of the mayor, audit committee, management, and various federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Hinton Burdick Hall & Spilker PLLC

HINTON, BURDICK, HALL & SPILKER, PLLC
December 21, 2006



HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAS & ADVISORS

**Independent Auditors' Report on
State Legal Compliance**

The Honorable Mayor and
Members of the City Council
Toquerville, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Toquerville, Utah for the year ended June 30, 2006, and have issued our report thereon dated December 21, 2006. As part of our audit, we have audited the City of Toquerville's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)
Community Impact Loans (Department of Community and Economic Development)

Our audit also included test work on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property tax Limitations
Liquor Law Enforcement
B & C Road Funds
Other General Compliance Issues
Uniform Building Code
Impact Fees & Other Development Fees
Asset Forfeitures

The management of the City of Toquerville is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

MEMBERS:

KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
BRENT R. HALL
KENNETH A. HINTON
MORRIS J. PEACOCK
PHILLIP S. PEINE
MICHAEL K. SPILKER
MARK E. TICHENOR

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material non-compliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of non-compliance with the requirements referred to above, which are described in the accompanying schedule of findings and recommendations. We considered these instances of non-compliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the City of Toquerville, Utah, complied, in all material aspects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort; or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.



HINTON, BURDICK, HALL & SPILKER, PLLC
December 21, 2006



CITY OF TOQUERVILLE
Findings and Recommendations
For the Year Ended June 30, 2006

MEMBERS:

KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
BRENT R. HALL
KENNETH A. HINTON
MORRIS J. PEACOCK
PHILLIP S. PEINE
MICHAEL K. SPILKER
MARK E. TICHENOR

Honorable Mayor and
City Council
City of Toquerville, Utah

During our audit of the funds of the City of Toquerville for fiscal year 2005-2006, we noted improvements in the City's accounting and budgeting system and wish to commend the City for making changes and improvements. We also noted areas needing corrective action in order for the City to be in compliance with laws and regulations and we found circumstances that, if improved, would strengthen the City's accounting system and control over its assets. These items are discussed below for your consideration:

Compliance Findings and Recommendations:

05-01. Budgetary Compliance

Finding

Utah law states that officers and employees of the entity shall not incur expenditures or encumbrances in excess of the total appropriation for any department or fund. We noted that general government, highways and streets, cemetery and the sanitation department expenditures exceeded the final appropriation amounts for the year ended June 30, 2006.

Recommendation

We recommend that the City monitor closely the expenditures for each department to ensure that budget overruns do not occur in future fiscal periods. We also recommend that the City amend its budget when additional revenues or expenditures are anticipated which were not included in the original budget.

05-04. Impact Fee Accounting

Finding

The State of Utah Legal Compliance audit guide states the following:

"Each local political subdivision collecting impact fees shall:

- a. establish separate interest bearing ledger accounts for each type of public facility for which an impact fee is collected;
- b. deposit impact fee receipts in the appropriate ledger account;
- c. retain the interest earned on each fund or account in the fund or account; and
- d. at the end of each fiscal year, prepare a report on each fund or account showing:
 - 1) the source and amount of all monies collected, earned, and received by the fund or account; and
 - 2) each expenditure from the fund or account.

This report is a public document and should be available for public inspection during regular office hours. (*Utah Code 11-36-301*)"

We concluded during our test work, that impact fees are being collected properly; however, as is stated in item d. above, a report was not prepared by management at year end to show an accounting for the impact fees.

Recommendation

We recommend that management prepare an accounting as specified above at the end of each fiscal year for impact fees to comply with State law. As the schedule is prepared, it should clearly indicate whether the impact fees have been spent within the six year time frame designated by law.

06-01. Hook Up Fees

Finding

The State of Utah Legal Compliance audit guide states the following:

"Hook up fees charged to make connections to utility services including gas, water, sewer, power, or other municipal, county, or independent special service district utility services must not exceed the approximate average costs of the services provided to make the connection. (*11-36-102(6)*)"

During fiscal year 2006, the City began charging a \$500 water connection fee. After inquiring of the City's personnel, we were unable to obtain documentation for the average cost of these services.

Recommendation

We recommend that management estimate and document the approximate average cost of providing water connection services to demonstrate compliance with State law.

General Findings and Recommendations:

05-01. Segregation of Duties

Findings

We understand that the size of the City and its administrative staff prohibit the complete and proper segregation of duties within its accounting functions; as a result, custody of assets and recording functions are not properly segregated for the cash receipts and expenses/accounts payable functions. Management has implemented controls such as management's review of disbursements that mitigate this weakness such that it is not deemed to be a material weakness; however, such segregation of duties provide important safeguards and controls to insure the proper recording, deposit and disposition of the City's funds.

Recommendation

As the City continues to grow and additional staff are considered necessary, we recommend that management consider ways that segregation of duties can be achieved within its accounting and administrative functions. We would be happy to assist the City in the design and/or implementation of job descriptions and duties to properly achieve this segregation. We also recommend that management continue to monitor disbursements. The City Council or audit committee should provide oversight by designating a council member or audit committee member to review the bank reconciliations each month. The City Council or audit committee should also review a budget to actual financial statement on a monthly or quarterly basis to provide additional oversight.

06-01. Impact Fee Expenditures and Capital Projects Funds

Finding

The State of Utah Legal Compliance audit guide states the following:

"Impact fees may only be imposed for the development of authorized "public facilities" as defined by the *Impact Fees Act*. "Public facilities" means only [certain] capital facilities that have a life expectancy of ten or more years and are owned or operated by or on behalf of a local political subdivision. (*Utah Code 11-36-102 (12)*)

A local political subdivision may expend impact fees only for:

- a. system improvements for public facilities identified in the capital facilities plan; and
- b. system improvements for the specific public facility type for which the fee was collected. (*Utah Code 11-36-302(1)*)"

During the audit, we noted that the City recorded non-capital expenditures in the impact fee capital projects fund, which were later reclassified as an audit adjustment. Capital projects funds are only used to account for resources to be used for acquisition or construction of major general government capital facilities.

Recommendation

The City should budget and record only allowable expenditures in the impact fee capital projects fund. Non-capital expenditures relating to parks and streets should be recorded in the applicable department of the general fund.

06-02. Various Accounting Issues

Finding

We realize that the City has experienced personnel changes and that there is a learning curve for new personnel; however, throughout the audit, we noted the following accounting issues that need to be addressed in future fiscal years:

- Water fund receivables are incorrectly posting to the general fund;
- several payroll-related liabilities incorrectly had debit balances;
- the Caselle unpaid invoice report at June 30, 2006 had a zero balance even though payables existed;
- June 2006 utility billings/payments were posted twice to the general ledger and the utilities cash clearing account incorrectly had a balance at fiscal year end;
- the accounts receivable aging report per the Caselle utility billing sub-module did not agree to accounts receivable balance per the general ledger;
- one of the bank accounts has some old outstanding checks on the bank reconciliations;
- on several bank reconciliations, the total deposits and total disbursements didn't agree to the bank statements;
- very little of the fiscal year activity relating to the SID had been recorded; and,
- the budgeted transfer was not made.

Recommendation

We recommend that City personnel involved in the accounting system continue to obtain the necessary training so they can further strengthen the City's accounting system and control over its assets. We would be happy to assist the City in areas that we are able to assist in or help the City find the necessary services/training in areas that we cannot assist in due to our independent relationship.

06-03. Overpayment of Connection/Impact Fees

Finding

After reviewing the impact fees payable to the Washington County Water Conservancy District (WCWCD), we determined that the City overpaid fees to the WCWCD on check number 9579 by \$12,804. The City had a balance due of \$11,928 before paying invoice number 1497 causing an overpayment.

Recommendation

We recommend the City carefully review invoices and other statements before disbursements are made. Specifically in this situation, we recommend that the City

work with the WCWCD to finalize any uncertainties relating to these connection/impact fees.

06-04. Opening of Depository Accounts

Finding

We noted that the City opened two new bank accounts (City hall PTIF and Zion's MMA) during the fiscal year; however, we were unable to trace authorization in the minutes of the City.

Recommendation

Whenever a depository account is opened or closed, this action should be authorized by the City Council and recorded in the minutes.

Responses

Please respond to the above findings and recommendations in letter form for submission to the State Auditor's office as required by State law.

This letter is intended solely for the use of the Mayor, City Council, management and various federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

It has been a pleasure to be of service to the City this past year. We would like to express special thanks to each of you who assisted us so efficiently in this year's audit. We invite you to ask questions of us throughout the year as you feel it necessary and we look forward to a continued pleasant professional relationship.

Sincerely,



HINTON, BURDICK, HALL & SPILKER, PLLC
December 21, 2006

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February 12, 2007

Office of the State Auditor
Utah State Capital Complex
211 State Capital
Salt Lake City, UT 84114

To Whom It May Concern:

The following is in response to the findings and recommendations of Hinton, Burdick, Hall and Spilker, fiscal year 2005/2006 auditors for Toquerville City.

State Compliance Findings and Recommendations:

1. Budgetary Compliance

With current capabilities to monitor City and Departmental expenditures, Toquerville City will be better able to operate within the parameters of the adopted budget and make necessary budget amendments when directed by the City Council.

2. Impact Fee Accounting

Toquerville City is currently working toward establishing a system to track existing and incoming impact fees as required by law, and to prepare the necessary report for public access.

3. Hook-up Fees

Toquerville City is currently reviewing the actual costs of this Water Department service and will be making the necessary changes to the Toquerville City Administrative and Public Works Fee Schedule.

4. Segregation of Duties

Toquerville City will continue with its effort to segregate duties within the City Offices as budget allows for additional staff.

5. Impact Fee Expenditures and Capital Projects Funds

Toquerville City will review the guidelines for use of Impact Fees with staff and elected officials to assure their understanding of how Impact Funds may be spent.

6. Various Accounting Issues

Each of these issues relate to the need for more detailed training for staff in the use of the Caselle Accounting Software and the accounting principles necessary to properly document the City's financial transactions. We are working with the Caselle Support Team and will continue to seek out other avenues of training and support to resolve all listed issues.

7. Overpayment of Connection/Impact Fees

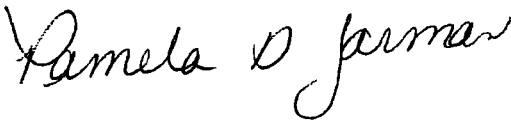
The City has requested reimbursement of the overpayment of Impact Fees from the Washington County Water Conservancy District. Said reimbursement will be forthcoming.

8. Opening of Depository Accounts

This finding has been duly noted. Staff and elected officials are now aware of the rules governing the opening of new Depository accounts by a municipality. Toquerville City will be certain to follow the necessary steps of documenting the need for any new account in a duly noticed meeting of the City Council.

If you have any questions or comments regarding these responses, please feel free to contact our office at your convenience.

Very truly yours,



Pamela D. Jarman
Toquerville City